

Message Text

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DEPARTMENT PASS TREASURY AND EXIM

E.O. 11652: XGDS-1

TAGS: EFIN, UK, EEC

SUBJECT: GENTLEMEN'S AGREEMENT ON EXPORT CREDITS

REF: EC BRUSSELS 5658

1. SUMMARY: MEETING HELD AT HMTREASURY, AUGUST 15, TO DISCUSS VARIOUS ASPECTS OF THE GENTLEMEN'S AGREEMENT, FOCUSING PRIMARILY ON QUESTION OF HOW PER CAPITA LIMIT SHOULD BE APPLIED IN DETERMINING LENGTH OF CREDIT. MEETING WAS CHAIRED BY JOAN KELLEY, UK TREASURY AND WAS ATTENDED BY MRS. ARCHIBALD FROM THE EC COMMISSION IN BRUSSELS, REPRESENTATIVES FROM ECGD, BANK OF ENGLAND, H.M. TREASURY, AND SUE STEINER, ASSISTANT FINANCIAL ATTACHE, AS OBSERVER.
END SUMMARY

2. THE GENERAL CONSENSUS OF THE MEETING WAS THAT IN TERMS OF THE OVERALL GENTLEMEN'S AGREEMENT, THE WORLD SHOULD BE
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DIVIDED IN TWO GROUPS. THE FIRST GROUP, DEFINED AS "THE

HIGH PER CAPITA GNP COUNTRIES," WOULD HAVE MAXIMUM LENGTH OF CREDIT OF 8-1/2 YEARS. THE SECOND GROUP "LOW PER CAPITA GNP COUNTRIES" CONFORMING TO THE DAC LIST WOULD IN GENERAL HAVE MAXIMUM LENGTH OF CREDIT OF 10 YEARS. THE CUT OFF POINT BETWEEN THE TWO GROUPS IS STILL TO BE DETERMINED BUT IT SHOULD BE AT SUCH A LEVEL THAT THE MAJOR OIL PRODUCERS WOULD FALL IN THE HIGH PER CAPITA GROUP INCLUDING IRAN AND SUCH COUNTRIES AS ALGERIA, IRAQ, INDONESIA, AND NIGERIA WOULD FALL IN THE LOW PER CAPITA GROUP. THREE COUNTRIES OF EASTERN EUROPE, I.E. RUMANIA, BULGARIA AND YUGOSLAVIA WOULD FALL INTO THE LOW PER CAPITA GROUP ALSO.

3. FOR THE EC, THERE WOULD BE A SUPPLEMENTAL PART TO THE AGREEMENT WHICH WOULD SLIGHTLY RE-GROUP THE COUNTRIES. THIS WOULD DIVIDE THE WORLD INTO THREE PARTS. THE DEVELOPED COUNTRIES - WHERE THE LENGTH OF CREDIT WOULD BE FIVE YEARS - WOULD BE COMPOSED OF THE COUNTRIES ON THE OECD PRIOR CONSULTATION LIST PLUS THE OIL PRODUCERS CONTAINED IN HIGH PER CAPITA INCOME LIST (SEE PARA 2). THE SECOND GROUP WOULD BE STATE TRADING COUNTRIES WHICH WOULD BE GIVEN A MAXIMUM OF 8-1/2 YEARS. AT LEAST THREE COUNTRIES IN THIS CATEGORY FALL IN THE LOW PER CAPITA GROUP PLUS SOME OTHERS ON THE DAC LIST (CUBA, NORTH KOREA, ETC.) AND WOULD BE IN THE 10 YEAR CATEGORY. THE THIRD GROUP WOULD BE THE SAME AS THE LOW INCOME GROUP MENTIONED IN PARA 2.

4. THE RESULTS OF THIS MEETING ARE TENTATIVE AND MRS. ARCHIBALD WILL NOW TRY TO PUT THEM TOGETHER FOR THE COMMISSION IN ORDER TO HAVE THEM CIRCULATED TO OTHER EC MEMBERS PRIOR TO THE EC MEETING ON THIS SUBJECT SEPTEMBER 9, 1974.

5. THERE ARE STILL A NUMBER OF LOOSE ENDS, BUT IT WAS FELT IMPORTANT TO TRY TO RESOLVE THE PER CAPITA DISTINCTION BETWEEN COUNTRIES IN RELATION TO LENGTH OF CREDIT PRIOR TO THE BRUSSELS MEETING SEPTEMBER 10 AND 11. THE ASSUMPTION IS THAT THE GENTLEMEN'S AGREEMENT WILL CONTAIN A REVIEW CLAUSE PROVIDING FOR A SIX MONTHLY EXAMINATION OF THE PER CAPITA DIVIDING LINE. THE LIST OF THE COUNTRIES IN THE

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EC - 5 YEAR GROUP WILL NOT BE MADE PUBLIC.

6. INTEREST RATES WERE NOT DISCUSSED AT THE MEETING. HOWEVER, MRS. ARCHIBALD IS VERY CONCERNED ABOUT THE JAPANESE POSITION AND WHETHER THE U.S. IS DOING ANYTHING TO PUT PRESSURE ON JAPANESE TO ACCEPT VARIOUS OPTIONS PUT TO THEM (SEE REFTEL). SHE WONDERS IF U.S. WOULD BE PREPARED TO HAVE A GENTLEMEN'S AGREEMENT WITHOUT THE JAPANESE.

7. PARTICIPANTS WERE AWARE THAT STEINER WOULD REPORT RESULTS OF MEETING TO WASHINGTON. HOWEVER, FINAL PAPER PUT TO EC MEMBER MAY DIFFER IN SOME DETAILS FROM INFORMATION CONTAINED IN THIS CABLE. WILL TRY TO OBTAIN FINAL VERSION OF PROPOSAL SENT TO EC MEMBERS WHEN AVAILABLE.

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